

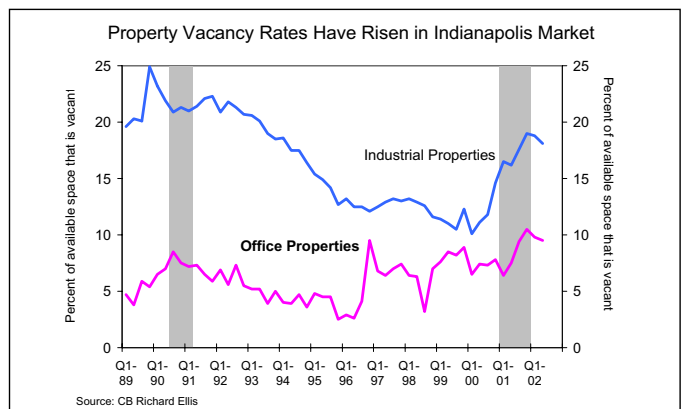
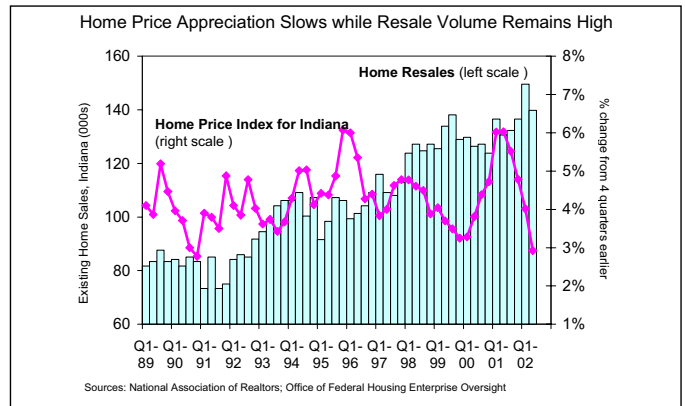
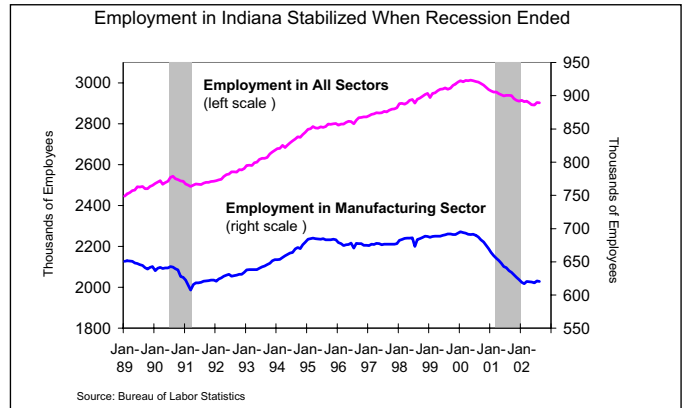
FDIC State Profile

WINTER 2002

Indiana

Indiana participates in the nation's economic recovery.

- Labor market indicators are a proxy for overall economic activity in the state. Since fourth quarter of 2001, the unemployment rate in Indiana has stabilized around 5 percent, which is 200 basis points above its pre-recession low.
- The decline in Indiana manufacturing employment apparently ended in the first quarter of 2002 (see **top chart**). The stabilization is an encouraging indicator, even though it represents that employment in the manufacturing sector is 11 percent (or 73,000 jobs) lower than its peak in early 2000. Most of the job losses in the past two years were concentrated among producers of durable-goods such as motor vehicles and parts, appliances, fabricated metal products, and construction and related machinery.
- Outside the manufacturing sector, conditions are mixed, with job losses mitigating in some sectors but intensifying in others. In the year ending August 2002, the pace of job loss accelerated in the retail trade, construction, and transportation and public utility sectors. Employment losses in business services sector slowed considerably. Growth in health-care jobs, which account for about 7.5% of employment in the state, slowed noticeably.
- Home resales remain high but are accompanied by slower price appreciation (see **middle chart**), hinting that the housing market's strength of recent years may be waning, despite low mortgage rates.
- Higher vacancy rates for commercial properties in **Indianapolis** (see **bottom chart**) reflect the surplus of available space, and it could take several years before the current supply is absorbed. Other metropolitan areas likely face similar situations, given corporate downsizing efforts and the adverse impact of the recession on demand for office, industrial, and retail space.
- The impacts of recent developments vary considerably across the state. Reflecting challenges that predate the recession, many steel-dependent areas continue to experience job losses. In contrast, some Indiana communities are benefiting from new vehicle-assembly plants, even as the industry as a whole sheds jobs. The state and national economies in early October appeared to be on track for continuing expansion, but the recovery is vulnerable to shocks that could arise at home or abroad.



State Profile

Indiana's insured institutions have weathered the recession well during the last year.

- Earnings performance has been strong during the past twelve months, reversing the recent trend toward declining profitability. Although profitability levels in Indiana are below those seen in many

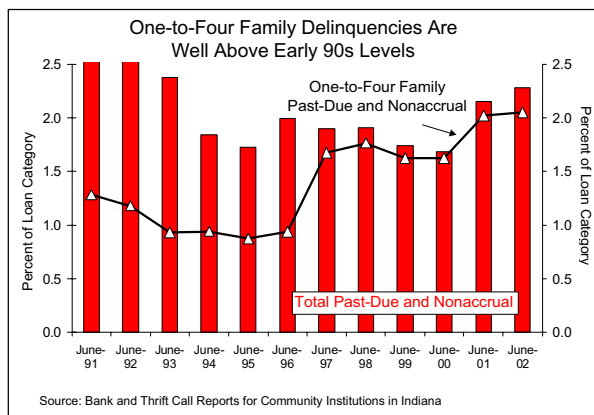
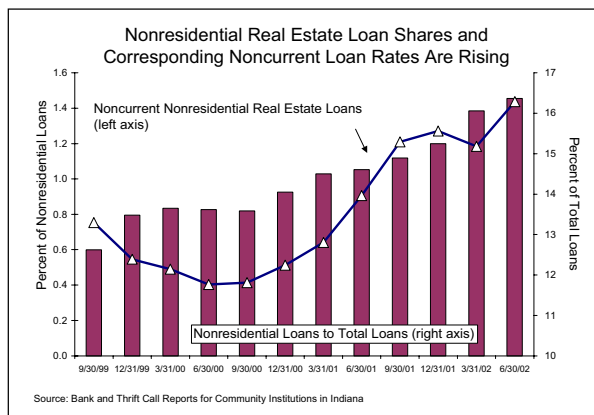
other states, this is understandable given the higher share of mortgage loans held, which decreases earnings potential but also credit risk.

Earnings and Capital Levels Have Trended Upward During the Past Year

Median Ratio	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Net Interest Margin	4.19	4.12	3.95	3.98	3.84	3.95
Return on Assets	1.10	1.04	0.96	0.93	0.91	0.99
Tier 1 Capital	9.36	9.40	9.41	9.23	9.26	9.36

Source: Bank and Thrift Call Reports

- Total past-due loan rates for community banks¹ are favorable relative to other states in the Region and have improved significantly in 2002. However, noncurrent loans, those 90+ past-due or in nonaccrual status, have continued to trend upward, and stood at 1.06 percent of total loans on June 30, 2002. The increase in noncurrent loan rates is not surprising, given that credit quality improvement often lags economic recoveries.
- Nonresidential real estate lending has been brisk in recent years (see **chart**). However, this lending has been marked with additional credit risk, as seen in the dramatic rise in the percentage of noncurrent nonresidential real estate loans.
- Most lending categories continue to perform better than they did in the early 1990s. One-to-four family loans, however, are an exception, with higher delinquencies than previously experienced.
- Indiana's community institutions have benefited from the more steeply sloped yield curve, in spite of significant refinancing activity. When interest rates rise, Indiana's institutions will have to carefully manage their interest rate sensitivity position. The potential for continuing interest rate volatility suggests that sound asset/liability management policies and practices will be particularly critical to future earning performance among insured institutions in Indiana.



¹ Insured institutions with less than \$1 billion in assets, excluding de novos and specialty banks.

Indiana at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	214	221	224	233	253	267
Total Assets (in thousands)	125,240,646	116,633,202	86,115,989	84,943,833	86,444,198	80,957,190
New Institutions (# < 3 years)	9	11	9	7	6	6
New Institutions (# < 9 years)	19	20	15	11	11	9
Capital						
Tier 1 Leverage (median)	9.36	9.26	9.23	9.41	9.40	9.36
Asset Quality						
Past-Due and Nonaccrual (median %)	2.09%	2.10%	1.58%	1.70%	1.71%	1.88%
Past-Due and Nonaccrual ≥ 5%	21	13	12	13	16	14
ALLL/Total Loans (median %)	1.14%	1.09%	1.10%	1.15%	1.16%	1.21%
ALLL/Noncurrent Loans (median multiple)	1.30	1.50	1.90	1.96	1.91	1.78
Net Loan Losses/Loans (aggregate)	0.49%	0.41%	0.23%	0.24%	0.29%	0.26%
Earnings						
Unprofitable Institutions (#)	11	14	11	6	12	5
Percent Unprofitable	5.14%	6.33%	4.91%	2.58%	4.74%	1.87%
Return on Assets (median %)	0.99	0.91	0.93	0.96	1.04	1.10
25th Percentile	0.66	0.61	0.64	0.66	0.75	0.84
Net Interest Margin (median %)	3.95%	3.84%	3.98%	3.95%	4.12%	4.19%
Yield on Earning Assets (median)	6.79%	7.94%	7.91%	7.60%	8.05%	8.09%
Cost of Funding Earning Assets (median)	2.84%	4.21%	4.04%	3.69%	3.97%	3.95%
Provisions to Avg. Assets (median)	0.13%	0.11%	0.10%	0.11%	0.11%	0.11%
Noninterest Income to Avg. Assets (median)	0.65%	0.63%	0.54%	0.53%	0.50%	0.48%
Overhead to Avg. Assets (median)	2.68%	2.66%	2.69%	2.60%	2.63%	2.62%
Liquidity/Sensitivity						
Loans to Deposits (median %)	87.11%	89.72%	89.02%	83.12%	82.22%	82.02%
Loans to Assets (median %)	68.58%	71.24%	70.55%	66.87%	69.52%	69.07%
Brokered Deposits (# of Institutions)	44	39	31	33	42	44
Bro. Deps./Assets (median for above inst.)	2.62%	2.79%	1.48%	1.36%	1.56%	1.46%
Noncore Funding to Assets (median)	21.46%	21.79%	21.06%	16.64%	16.17%	14.88%
Core Funding to Assets (median)	67.07%	67.07%	67.21%	70.90%	72.31%	73.87%
Bank Class						
State Nonmember	94	97	97	104	116	125
National	32	31	32	36	43	43
State Member	28	27	25	25	25	25
S&L	15	16	16	16	18	20
Savings Bank	38	43	48	46	44	44
Mutually Insured	7	7	6	6	7	10
MSA Distribution						
	# of Inst.	Assets	% Inst.	% Assets		
No MSA	102	19,680,388	47.66%	15.71%		
Indianapolis IN	29	65,931,473	13.55%	52.64%		
Gary IN PMSA	16	7,113,030	7.48%	5.68%		
Louisville KY-IN	13	2,364,006	6.07%	1.89%		
Ft Wayne IN	13	4,668,550	6.07%	3.73%		
Evansville-Henderson IN-KY	10	12,840,969	4.67%	10.25%		
Terre Haute IN	7	1,857,843	3.27%	1.48%		
Cincinnati OH-KY-IN PMSA	5	611,850	2.34%	0.49%		
South Bend IN	4	4,183,497	1.87%	3.34%		
Lafayette IN	4	1,683,095	1.87%	1.34%		
Elkhart-Goshen IN	4	324,008	1.87%	0.26%		